United Nations A/53/514/Add.2

General Assembly

Distr.: General
24 March 1999

Original: English

Fifty-third session
Agenda item 115
Improving the financial situation of the United Nations

Improving the financial situation of the United Nations

Report of the Secretary-General

Addendum

I. Introduction

1. The present report updates information on the financial situation of the United Nations provided in the report of the Secretary-General of 3 November 1998 (A/53/514/Add.1). It also provides information on the financial situation of the Organization as at 31 December 1998 and cash flow projections for 1999.

II. Review of the financial situation at the end of 1998

A. Overview

2. The year-end financial review is based on an analysis of three key indicators: available cash; unpaid assessments; and amounts due to Member States for troops and contingent-owned equipment. During 1998, there have been some positive, but small, changes in each of the three indicators. Total combined cash available for the regular budget, peacekeeping and the international tribunals for Rwanda and the former Yugoslavia was higher at the end of 1998, at $736 million, compared to $669 a year earlier. Unpaid assessments were lower at the end of 1998, $2,031 million compared to $2,062 million at the end of 1997. Amounts due to Member States for troops and contingent-owned equipment were also slightly lower, at $872 million.

B. End year cash position

3. While total cash available at the end of 1998 was higher, different trends are apparent when regular budget and peacekeeping cash are shown separately.

Peacekeeping

4. Peacekeeping cash was down from $923 million four years ago to $768 million at year end 1998 — a decrease of $155 million in four years. This large decrease in available cash is the natural result of peacekeeping assessments that have fallen from over $3 billion in 1994 and 1995 to about half that amount in 1996, and to $900 million in 1998, an average reduction of $250 million a year. For 1999, peacekeeping assessments are currently forecast to be in the $650 million range. It is inevitable that a decrease in peacekeeping assessment levels will be followed by a decrease in peacekeeping cash unless significant arrearage payments are received from Member States. There were some, but not significant, arrearage payments in 1998.

99-08492 (E) 270399

Regular budget

5. The regular budget assessment pattern, by contrast, is characterized by a relatively stable, somewhat declining level over the course of the past five years. Regular budget assessments inevitably provide for a fairly constant level of resources to fund recurring and ongoing mandated activities. This stability allows for a more accurate projection of regular budget cash deficits.

6. The cash position of the combined General Fund, including the regular budget and reserves, at the end of 1998 was originally forecast to be a negative $50 million. That projection proved quite accurate compared with the actual 1998 figure of a negative $40 million, an amount much lower than during any of the last three years.

7. Two main factors were responsible for this change in the end-of-year regular budget cash position. First, the major contributor made a significantly larger regular budget payment in the final quarter of 1998 than in earlier years. Less was therefore deferred by that Member State for payment in the year following assessment by the United Nations. Payment of assessments more than a year late has been that Member State's pattern of payment over the last few years, especially 1995.

8. In fact, in 1998, the major contributor's regular budget payments corresponded to 119 per cent of its regular budget assessment for 1998. The corresponding figure for all other Member States was 99 per cent. This improvement in respect of the major contributor did not reflect an increase in the amount appropriated by its legislature, but rather that its national legislation permitted more prompt payment of those appropriated amounts. This fact underlines the importance of the timing of the payment of that Member State's contribution to the financial position of the United Nations at year end. Should it revert in future years to its previous pattern, and pay a larger portion of its assessment in the following year, regular budget cash deficits would again arise.

9. Another positive trend emerged during the year. By the end of 1998, a record high of 117 Member States had paid their regular budget assessment in full, compared to 100 in 1997. The Secretary-General gratefully acknowledges the commitment to the Organization represented by this improved performance. The table in annex I contains the list of those Member States that paid in full in 1998 and thus had no unpaid prior or current year regular budget assessments. Seventy-nine of the Member States, indicated in bold in the list, have also paid in full during the past two years. The Secretary-General especially thanks them for their continuing commitment in meeting their treaty obligations.

10. As a result of these two positive developments, the chronic string of large deficits in regular budget cash was broken in 1998. The reduced need to cross-borrow from peacekeeping accounts to fund the shortfall in regular budget cash is timely, given the diminishing amount of peacekeeping cash available to borrow. The future availability of these funds as a source of cross-borrowing is becoming increasingly doubtful.

International tribunals

11. While peacekeeping assessments are declining sharply and regular budget assessments are stable, assessments for the two international tribunals, for Rwanda and the former Yugoslavia, are increasing. This situation results from an increase in their activities and full assessment for them as of 1998. Assessments totalled only $27 million in 1995, rising to $99 million in 1998 and $155 million for 1999. It should be pointed out, however, that even with larger cash balances for the tribunals, cross-borrowing for the regular budget is not possible. Tribunal costs largely relate to salary and travel obligations, which must be paid currently, with little if any that can be deferred as has been the case with peacekeeping obligations payable to Member States for troops and equipment.

C. Unpaid assessments

12. The level of unpaid assessments was down at the end of 1998, but the decrease was only marginal, from $2,062 million in 1997 to $2,031 million in 1998, despite the better record of payment and the earlier than usual payment by the major contributor.

13. While there have been improvements in the collection of regular budget assessments, that was not true for peacekeeping and the tribunals. The overall rate of collection remains disappointing. At the end of 1994, assessment levels were high and a relatively low level remained unpaid at year-end. In 1995, assessed levels decreased and unpaid assessments increased. In 1998, assessment levels were much lower than in 1994, while unpaid assessments remained high. In effect, a full year of assessments remained unpaid at the end of 1998.

14. This trend is further highlighted by the higher number of Member States that are falling under the provisions of Article 19 of the Charter of the United Nations at the beginning of each year. In 1995, the first notification with respect to Article 19 listed 25 Member States that had lost their vote in the General Assembly. In 1999, the number

was 42. Since 5 February 1999, when the Secretary-General informed the President of the General Assembly of the names of those Member States falling under Article 19, five Member States have paid the minimum necessary to reduce the amount of their arrears below that necessary to have their voting rights restored. Currently, 37 Member States remain under the provision of Article 19.

15. While the overall level of aggregate unpaid assessments remains high, the level of unpaid regular budget assessments is decreasing. Unpaid regular budget assessments were down from $564 million in 1995 to $417 million at 31 December 1998, a decrease of $147 million. Unpaid assessments due from the major contributor have fallen by $98 million; the aggregate of those for all other Member States were down by $49 million. At 31 December 1998, the United States and Brazil together accounted for 83 per cent of all unpaid regular budget assessments, the United States for 76 per cent and Brazil for 7 per cent. The remaining 17 per cent was owed by 66 other Member States.

16. As to peacekeeping assessments, the amount unpaid at 31 December 1998 aggregated $1,594 million, an increase of $20 million compared with $1,574 million the year before. Changes in the position of two Member States, the United States of America and Ukraine, largely account for this net increase. Unpaid peacekeeping assessments increased by $36 million for the United States and by $2 million for Ukraine. There was a decrease of $10 million in peacekeeping arrears for the Russian Federation and an aggregate decrease of $8 million for other Member States combined compared with the position at 31 December 1997.

17. At 31 December 1998, unpaid assessments for the tribunals aggregated only $20 million, although this reflected an increase of $6 million from a year earlier. Despite the fact that the ratio of the amount unpaid at year-end to assessments issued during the year (20 per cent) is far better than comparable ratios for the regular budget and peacekeeping activities, the trend is still negative.

D. Debt to Member States for troops and contingent-owned equipment

18. The level of debt to Member States for troops and contingent-owned equipment at the end of 1998 totalled approximately $872 million. This was virtually the same as in 1997 and 1996, despite the fact that the level of peacekeeping assessments decreased from $1.4 billion to less than $1 billion.

19. While some Member States are making efforts to reduce their debt to the United Nations, the Organization's debt to Member States remains intractable. At the beginning of 1998, debt for troops and contingent-owned equipment totalled $884 million, $139 million owed for troops and $745 million owed for contingent-owned equipment. New obligations during the course of 1998 reached $204 million. In line with the Secretary-General's intention not to allow the level of aggregate debt for troops and contingent-owned equipment to rise, most of these new obligations were reimbursed to Member States. Additionally, a downward revaluation of equipment debt of $34 million was made.

20. This resulted in year-end debt totalling $872 million, a reduction of only $12 million in one year. At this rate of reimbursement, the Organization simply cannot eliminate its debt to Member States in the foreseeable future. It is clear that there is no way to do so unless sizeable payments are received from those Member States with outstanding peacekeeping assessments. The Secretary-General wishes to thank those Member States that continue to wait for amounts owed, because, without their patience and forbearance, the Organization would not be able to continue.

III. Prospects for 1999

A. Available cash — regular budget

21. On a positive note, more Member States paid on time in 1999. As of 31 January 1999, 32 Member States had paid their regular budget assessment for 1999 in full. That number compares with 24 Member States who had paid in full by 31 January 1998. In February 1999, an additional 17 Member States made their full regular budget payment bringing the total to 49 Member States having paid in full, 10 more than at the comparable date in 1998.

22. Between 1 January and 28 February 1999, some $405 million of regular budget assessments were paid. This amount is approximately $88 million more than the comparable figure at the end of February 1998. The amount received in the first 60 days of a new year can be influenced by the timing and extent of payments by those contributors paying more than 1 per cent of total assessments. In this category, Australia, Belgium, Canada, France, Italy, the Netherlands, the Russian Federation and Sweden paid in full by month end February 1999. Germany and the United Kingdom of Great Britain and Northern Ireland paid significant amounts, but not in full. Annex II provides the names of those Member States that paid in full by the end of February 1998 and 1999.

23. In preparing the forecast for regular budget cash balances at the end of 1999, the major unknown variable is the amount to be received from the major contributor following that Member State's anticipated national legislation for its fiscal year, which begins 1 October 1999.

24. In preparing its initial projection for 1999, the Secretariat has only included amounts from the major contributor for which national legislation has been enacted. Accordingly, no payments by that Member State were included after 1 October 1999. As a result, the projected regular budget cash amount on 31 December 1999 is projected to be a negative $246 million. However, two alternative scenarios have also been prepared.

25. Scenario 2 projects year-end regular budget cash by stipulating that the major contributor will make an end of year payment similar to that made in the last months of 1998, $197 million. As a result, scenario 2 projects a much smaller regular budget cash deficit of about $46 million.

26. Scenario 3 is based on the major contributor paying sufficient funds in the last quarter of 1999 to reduce its total obligation to the Organization to the equivalent of two years of assessments. In that case, a regular budget cash surplus would be likely to result.

Available cash — peacekeeping

27. The forecasts for peacekeeping operations, taken together, are more difficult to make than for the regular budget. This is because the pattern of payments is more complicated and less predictable, month by month, than for the regular budget. It is also owing to the uncertainties surrounding the amount and timing of additional peacekeeping assessments. In fact, 1999 estimates for peacekeeping assessments had to be adjusted to take into account the recent decisions by the Security Council not to renew the mandates of the United Nations Observer Mission in Angola and the United Nations Preventive Deployment Force. As a result, it is now forecast that peacekeeping assessments for 1999 will total only about $650 million, compared to $907 million in 1998.

28. Working within these unpredictable constraints, the pattern foreseen includes available cash at the start of the year at $768 million. Over the course of 1999, receipts are expected to be lower than 1998, but fairly constant, allowing for an average monthly disbursement level of about $60 million. At the end of 1999, it is forecast that, as a result of falling assessment levels, peacekeeping cash will be $30 million lower than last year, at about $738 million.

29. These peacekeeping projections also reflect the currently estimated total disbursements of $149 million for troop and equipment debt to Member States, which will be paid in installments throughout the year. On this basis, the projected level of such debt at the end of 1999 is estimated at $864 million, only a small reduction from 1998. Absent significant arrearage payments from Member States, no significant reimbursement of the accumulated troop and equipment obligations is foreseen by the end of 1999.

30. Collection of outstanding assessments remains the key for repayment to Member States of the Organization's long standing obligations for troops and equipment. What peacekeeping cash there is must be held back to cover current and future peacekeeping activities more safely. This is also financially prudent in the light of the constant uncertainty about the level of regular budget deficits.

Combined cash

31. The projections for combined cash balances at the end of 1999 are based on the three scenarios described above. If the United Nations only receives cash for which enabling national legislation exists (scenario 1), combined cash at year-end 1999 is projected to total $492 million. Should the same amounts be received in 1999 from the major contributor as in 1998 (scenario 2), combined cash at year-end 1999 is projected to total $692 million. Should payments be received when the issue of application of Article 19 is involved (scenario 3), combined cash at year-end would be higher than any recent year-end amount. But, with the uncertainty of the amount and schedule of the major contributor's payment, the Secretariat is unable to project a firm estimate for year-end 1999 combined cash.

IV. Conclusion

32. In summary, the recent improvements in regular budget cash balances and unpaid assessments are positive, but small. However, the numerous unstable conditions hold hostage the financial future of the Organization.

Annex I

List of countries paid in full

Regular budget — 1998

Albania
Algeria
Andorra
Angola
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belgium
Belize
Benin
Bhutan
Bolivia
Botswana
Brunei Darussalam
Bulgaria
Burkina Faso
Canada
Chad
Chile
China
Colombia
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Democratic People's Republic of Korea
Denmark
Egypt
El Salvador
Equatorial Guinea
Estonia
Ethiopia
Fiji
Finland
France
Germany
Ghana
Greece
Guyana
Hungary
Iceland
India
Ireland
Italy
Jamaica
Japan
Jordan
Kenya
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Latvia
Libyan Arab Jamahiriya
Liechtenstein
Luxembourg
Malawi
Malaysia
Maldives
Mali
Malta
Marshall Islands
Mexico
Micronesia (Federated States of)
Monaco
Morocco
Mozambique
Myanmar
Namibia
Nepal
Netherlands
New Zealand
Nigeria
Norway
Omaa
Pakistan
Palau
Panama
Papua New Guinea
Paraguay
Poland
Portugal
Qatar
Republic of Korea
Republic of Moldova
Romania
Russian Federation
Saint Kitts and Nevis
Samoa
San Marino
Senegal
Singapore
Slovakia
Slovenia
Solomon Islands
South Africa
Spain
Sri Lanka
Suriname
Sweden
Syrian Arab Republi
Thailand
The former Yugoslav Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
Uruguay
Uzbekistan
Viet Nam
Zambia

Total 117

Annex II

Status of payments by Member States of 1998 and 1999 regular budget assessments

Member States whose regular budget contributions for 1998 and 1999 were received in full by 31 January

1998			1999		
Australia	India	New Zealand	Armenia	Iceland	Norway
Austria	Ireland	Norway	Austria	Ireland	Poland
Canada	Kuwait	Singapore	Azerbaijan	Kuwait	Russian Federation
Denmark	Liechtenstein	Slovakia	Botswana	Latvia	St. Kitts and Nevis
Finland	Malta	South Africa	Canada	Liechtenstein	Singapore
France	Marshall Islands	Sri Lanka	Denmark	Luxembourg	Slovakia
Hungary	Mozambique	Sweden	Egypt	Malta	Solomon Islands
Iceland	Netherlands	Trinidad and Tobago	Estonia	Marshall Islands	South Africa
			Finland	Monaco	Sri Lanka
			France	Netherlands	Sweden
			Hungary	New Zealand	
		Total 24			**Total 32**

Member States whose regular budget contributions for 1998 and 1999 were received in full in February

Belize	Luxembourg	Russian Federation	Australia	Cyprus	Malaysia
Cyprus	Malaysia	St. Kitts and Nevis	Belgium	Czech Republic	Maldives
Czech Republic	Monaco	Tunisia	Belize	El Salvador	Namibia
Ethiopia	Nepal	Turkmenistan	Bhutan	Ethiopia	Republic of Korea
Lao People's Democratic Republic	Pakistan	Viet Nam	China	India	The former Yugoslav Republic of Macedonia
				Italy	Viet Nam
		Total 15			**Total 17**
		Grand total 39			**Grand total 49**